

**Secretariat**

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The following items arise from the Committee on Sustainability and Social Responsibility (CSSR) meeting of January 31, 2024. They are presented to the Board of Governors for its information.

**I. FOR THE INFORMATION OF THE BOARD OF GOVERNORS****1. Update on MIP Exposure to Fossil Fuel Holdings in the CU200™ [SR23-17]**

As part of CSSR's review of McGill's SRI commitments, which resulted in the Committee's 2023 recommendations, CSSR asked the Office of Investments to conduct an analysis of potential divestment options and a corresponding cost-benefit analysis. The analysis included the MIP's exposure to the fossil fuel companies listed in the Carbon Underground 200 (CU200™), and the report stated that, as at December 31, 2022, direct investments represented 0.5% of the assets of the MIP in the CU200™ and indirect investments of 0.4% of the assets of the MIP for a total of approximately 0.9% (\$17M.)

The Office of Investments informed CSSR that the CU200™ data presented during the review was erroneous due to a calculation error resulting from human oversight. The actual holdings at December 31, 2022, were direct investments of 1.0% of the assets of the MIP in the CU200™ and indirect investments of 0.7% of the assets of the MIP, for a total of approximately \$31M. The Committee was assured that the error does not compromise the viability of the University's goal to divest completely from all direct investments in the CU200™ by the year 2025. Over the past three years, the MIP's exposure to the CU200™ has fluctuated between 0.5% and 1.8%, and it has been consistently communicated that the actual CU200 holdings at the moment of divestment were likely to differ from the figures reported in December 2022. The CSSR was assured that the Office of Investments has implemented corrective measures to avoid a similar situation in the future, including a rigorous verification process involving two peer reviews and an additional compliance monitoring process by McGill's investment custodian.

The list of SRI recommendations with an updated executive summary and analysis are included as Appendix A.

**2. Discussion on Procedure for Receiving Expressions of Concern [SR23-18]**

The Committee discussed the general process for the consideration of expressions of concern as outlined in the [CSSR Terms of Reference](#) and the [CSSR Procedures for Reviewing Expressions of Concern](#). The Committee reviewed a history of expressions of

concern considered at the University since the former CAMSR was established in 1980 and also reviewed current processes in place at other North American universities. Following this review, the Committee noted that the current process at McGill compares well with the processes in place at other universities and that its long history with regard to receiving and consideration expressions of concerns is evidence that the current process worked well. The Committee also noted that there is no immediate need to update its terms of reference but noted the value in expanding the procedures to include reference to the principles that would frame, to a further extent, the Committee's work and review process. These principles would be grounded in the mission of the University.

**3. Revisions to the Statement of Investment Policy related to SRI Commitments [SR23-19]**

The Committee received, for information, proposed revisions to the Statement of Investment Policy to reflect the second phase of Socially Responsible Investment ("SRI") commitments approved by the Board in December 2023. The revisions will be presented to the Investment Committee at its March 13, 2024, meeting for consideration and for recommendation to the Board of Governors for approval thereafter.

**4. Communication Plan for Upcoming Sustainability Achievements [SR23-23]**

The Committee received, for information, overview of McGill's 2024 Sustainability Communications Strategy. This strategy aims build the narrative of sustainability of McGill as one of the world's leading sustainability-minded institutions.

**5. Other Updates and Reports**

The Committee received the following reports and updates for information:

- Results of the 2023 McGill Sustainability Survey [SR23-20]
- Results of McGill Climate Risk Assessment [SR23-21]
- Update on 2025-2030 Climate & Sustainability Strategy Development [SR23-22]
- Update on Board Approval of CSSR Items [SR23-15]
- Dashboard Report on the Climate and Sustainability Strategy [SR23-16]

**END**

**February 2024**



# McGill



**Recommendations arising from the  
2023 SRI Review – updated January  
2024**



# CSSR’s recommended commitments for the 2023 SRI review

	2019 Commitments	2023 Commitments
Decarbonization & CU200 Divestment	<ul style="list-style-type: none"><li>Sustain a carbon footprint <b>33% below</b> the benchmark by <b>2025</b> for the MIP’s listed equities (Scope 1 &amp; 2)</li></ul>	<ul style="list-style-type: none"><li>Sustain a carbon footprint <b>33% below</b> the benchmark by <b>2029</b> for the MIP’s listed equities and <b>corporate fixed income</b> (Scope 1 &amp; 2)</li><li><b>Divest</b> all of the MIP’s <b>direct</b> investments in the <b>CU200 by 2025</b></li></ul>
Sustainable Investments	<ul style="list-style-type: none"><li>Allocate <b>5%</b> of the MIP towards “<b>Impact Investments</b>” by <b>2025</b></li></ul>	<ul style="list-style-type: none"><li>Allocate <b>10%</b> of the MIP towards “<b>Sustainable Investment Strategies</b>” by <b>2029</b></li></ul>
Engagement	<ul style="list-style-type: none"><li>Exercise, to the extent possible, <b>active stewardship</b> through investor <b>engagement</b> opportunities with investment managers</li></ul>	<ul style="list-style-type: none"><li>Add “<b>Social</b>” and “<b>Governance</b>” topics to existing engagement program with SHARE</li><li>Promote the adoption of <b>ESG-conscious proxy voting policies</b> whenever feasible</li></ul>
ESG Integration	<ul style="list-style-type: none"><li>Review the Statement of Investment Policy of the MIP to <b>reflect ESG goals and objectives</b>, including modifying the Investment Objective section to consider ESG commitments</li></ul>	<ul style="list-style-type: none"><li>Review the Statement of Investment Policy of the MIP to <b>reflect new ESG goals</b></li><li>Integrate <b>proprietary ESG scoring system</b> within manager monitoring processes</li><li>Integrate <b>third-party ESG risk metrics</b> within the manager monitoring process</li></ul>

# CSSR’s recommended commitments for the 2023 SRI review (Cont.)

	2019 Commitments	2023 Commitments
Negative Screening	<ul style="list-style-type: none"><li>• Increase amounts invested in the Fossil Fuel Free (FFF) Fund and promote it among the donor community</li></ul>	<ul style="list-style-type: none"><li>• Continue to promote the Fossil Fuel Free Fund (the green Century Fund) among the donor community (Commitment for McGill’s University Advancement team)</li></ul>
Reporting	<ul style="list-style-type: none"><li>• Annually publish a report on SRI that is presented to the Board that includes the % of assets managed by managers with an ESG policy and/or as signatories of the UNPRI, MIP carbon emission absolute and relative measures, impact investment exposures</li></ul>	<ul style="list-style-type: none"><li>• Annually publish a report on SRI that is presented to the Board that includes updates on the strategies and <b>TCFD<sup>1</sup>-aligned disclosures</b></li></ul>
Institutional Leadership	<ul style="list-style-type: none"><li>• Take a leadership role to evaluate and promote, through collaboration with peer universities, SRI policies and best practices</li></ul>	<ul style="list-style-type: none"><li>• Maintain a leadership role to evaluate and promote, through collaboration with peer universities, SRI policies and best practices</li><li>• <b>Improve McGill’s UNPRI score</b></li></ul>
Review of SRI Practices	<ul style="list-style-type: none"><li>• Review SRI practices regularly on a 5-year basis</li></ul>	<ul style="list-style-type: none"><li>• Review SRI practices regularly on a 5-year basis</li></ul>

<sup>1</sup>TCFD (Task Force on Climate-related Financial Disclosures)

An aerial photograph of a city skyline, likely New York City, featuring a large green field in the foreground and a dense cluster of skyscrapers in the background. The text "EXECUTIVE SUMMARY & ANALYSIS" is overlaid in a red box in the center of the image.

## EXECUTIVE SUMMARY & ANALYSIS

# Executive Summary (1/2)

	New Commitments	Advantages	Disadvantages	Cost
Decarbonization & Divestment	<ul style="list-style-type: none"><li>Sustain a carbon footprint <b>33% below</b> the benchmark by 2029 for the MIP’s listed equities and <b>corporate fixed income</b> (Scope 1 &amp; Scope 2)</li></ul>	<ul style="list-style-type: none"><li>Increase Carbon Footprint monitoring coverage</li><li>Align methodology with market best practices</li><li>Continued ability to drive decarbonization efforts in the oil and gas sector through collaborative engagements</li></ul>	<ul style="list-style-type: none"><li>Further constrains managers to generate added value</li><li>Global decarbonization of the economy means the benchmark is also improving, rendering 33% below benchmark target more ambitious</li><li>Additional workload for OOI</li></ul>	<ul style="list-style-type: none"><li>Corporate Bond Index: between \$28K and \$45K annually</li></ul>
	<ul style="list-style-type: none"><li><b>Divest</b> all of the MIP’s <b>direct</b> investments in the <b>CU200</b> by 2025</li></ul>	<ul style="list-style-type: none"><li>Reduce a portion of long term stranded asset risk</li><li>Partial divestment may satisfy stakeholders’/ students’ request for divestment</li></ul>	<ul style="list-style-type: none"><li>High impact on risk and return profile for Canadian equities</li><li>Reduce ability to drive decarbonization efforts in the oil and gas sector through collaborative engagements</li><li>Could result in dissatisfaction from stakeholders/students as not a full divestment</li><li>Additional workload for OOI</li></ul>	<b>Total cost of transaction according to dec. 2022 exposure level:</b> <ul style="list-style-type: none"><li>Transaction: \$26K</li><li>Market Impact: \$314K</li></ul>
				<b>Annual cost: \$33K</b>  Potential annual impact on performance <u>positive or negative</u> versus benchmark: (Value at Risk) ≈ \$7.4M
Impact Investments	<ul style="list-style-type: none"><li>Allocate <b>10%</b> of the MIP towards “<b>Sustainable Investment Strategies</b>” by 2029</li></ul>	<ul style="list-style-type: none"><li>Demonstrate our alignment with UN SDG framework invest in solutions to the global challenges defined by the United Nations</li><li>Target can be achieved without altering MIP risk/return profile</li></ul>	<ul style="list-style-type: none"><li>Additional workload for OOI</li></ul>	MSCI: \$40K USD Annually

# Executive Summary (2/2)

	New Commitments	Advantages	Disadvantages	Cost
Engagement	<ul style="list-style-type: none"> <li>Adding “<b>Social</b>” and “<b>Governance</b>” topics to our existing engagement program with SHARE</li> <li>Promote the adoption of <b>ESG-conscious proxy voting policies</b> whenever feasible</li> </ul>	<ul style="list-style-type: none"> <li>Influence managers to prioritize social and governance issues that relate to material risk</li> <li>Further exercise active stewardship w/ broader coverage</li> <li>Promote proxy voting practices that align with McGill’s SRI beliefs</li> <li>Demonstrate good governance with increasing voting scrutiny</li> </ul>	<ul style="list-style-type: none"> <li>Additional workload for OOI</li> <li>No guarantee of positive outcomes</li> </ul>	<p>SHARE: between \$45K and \$73K Annually</p> <p>Canadian Coalition for Good Governance: \$6.5K Annually</p>
ESG Integration	<ul style="list-style-type: none"> <li>Integrate proprietary <b>ESG Scoring System</b> and <b>third-party ESG risk metrics</b> within the manager monitoring process</li> <li>Review the Statement of Investment Policy of the MIP to <b>reflect new ESG goals</b></li> </ul>	<ul style="list-style-type: none"> <li>Enhance long-term risk-adjusted performance of portfolio</li> <li>Seize new investment opportunities that arise from the transition to a more sustainable economy</li> </ul>	<ul style="list-style-type: none"> <li>Additional workload for OOI</li> </ul>	MSCI: \$25K USD Annually
Negative Screening	<ul style="list-style-type: none"> <li>Continue to promote the Fossil Fuel Free Fund (the Green Century Fund) among the donor community</li> </ul>	<ul style="list-style-type: none"> <li>Continue to attract donations from donors with preference towards the FFF fund</li> </ul>		N/A
Reporting	<ul style="list-style-type: none"> <li>Annually publish a report on SRI that is presented to the Board that includes updates on the strategies and <b>TCFD-aligned disclosure</b></li> </ul>	<ul style="list-style-type: none"> <li>Proactively integrate TCFD reporting before becoming mandatory</li> <li>Enhance climate risk disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Additional workload for OOI</li> <li>Cannot be completed without suggested ESG Risk metrics for ESG integration commitment</li> </ul>	N/A
Institutional Leadership	<ul style="list-style-type: none"> <li>Maintain a leadership role to evaluate and promote, through collaboration with peer universities, SRI policies and best practices</li> <li>Improve McGill’s UNPRI score</li> </ul>	<ul style="list-style-type: none"> <li>Continue decarbonization relative to benchmark approach</li> <li>Demonstrate leadership</li> <li>Improve SRI practices</li> </ul>	<ul style="list-style-type: none"> <li>Additional workload for OOI</li> </ul>	N/A